

**ELK MEADOWS SPECIAL SERVICE DISTRICT**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

## **C O N T E N T S**

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# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

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*Richfield, Utah 84701*

*Phone 896-6488*

## ACCOUNTANT'S REPORT

The Honorable Board Members  
Elk Meadows Special Service District  
Beaver, Utah 84713

We have reviewed the accompanying financial statements of the business-type activities of Elk Meadows Special Service District, a component unit of Beaver County, as of and for the year ended December 31, 2005, which comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Elk Meadows Special Service District.

A review consists principally of inquiries of District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

July 6, 2006  
Richfield, Utah

## **ELK MEADOWS SPECIAL SERVICE DISTRICT MANAGEMENT AND DISCUSSION AND ANALYSIS**

The discussion and analysis of Elk Meadows Special Service District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2005. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the District is to provide culinary water, snow removal, street maintenance, fire protection and street lighting for the owners of property and for residents within the geographical boundaries of the District.

### **FINANCIAL HIGHLIGHTS**

Cash increased \$112,902, in part due to the collection of special assessments. Repairs and maintenance decreased by \$33,446 over last year and operating revenues increased by \$4,183.

Accounts receivable increased by \$66,859 due to billings on water, streets and fire protection in the district. The construction of the improvements is now complete, and residents are being billed for the usage of the water and other improvements.

Interest receivable on Special Assessments decreased by \$70,537 due to Phase II of the system being completed and assessments made. Also, the largest account is delinquent, causing interest to increase on their assessments. Although some payments have been received on these assessments in 2005.

Special Assessments decreased by \$89,310 due to Phase II of the system being complete. Property owners are billed for the improvements based on their acreage ownership in the district. Payments on these assessments are being made by most of the smaller properties.

Long-term debt decreased by \$90,000 from payments made according to the debt schedules.

A loan of \$200,000 from Beaver County were received in 2004 to help make the bond payment on the Series 1998 Special Assessment Bonds. Cash flows have been affected by the delinquency of the largest property owner on the assessments when due. This largest owner was foreclosed on and Nimbus Loan Funds now owns the property. Some payments have been received in 2005, and the district was able to meet its obligation on the Series 1998 Special Assessment Bonds.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the District as a whole. These statements reflect how the services were financed in the short term as well as what remains for future spending.

### **REPORTING THE DISTRICT AS A WHOLE**

The District realizes revenue from the following sources:

- |                         |                                       |
|-------------------------|---------------------------------------|
| 1) Water Fees           | 2) Road Maintenance Fees              |
| 3) Street Lighting Fees | 4) Property Taxes for Fire Protection |
| 5) Investment Income    |                                       |

These funds are used to pay the debts of the District and the operations and maintenance of the utilities and services provided by the District.

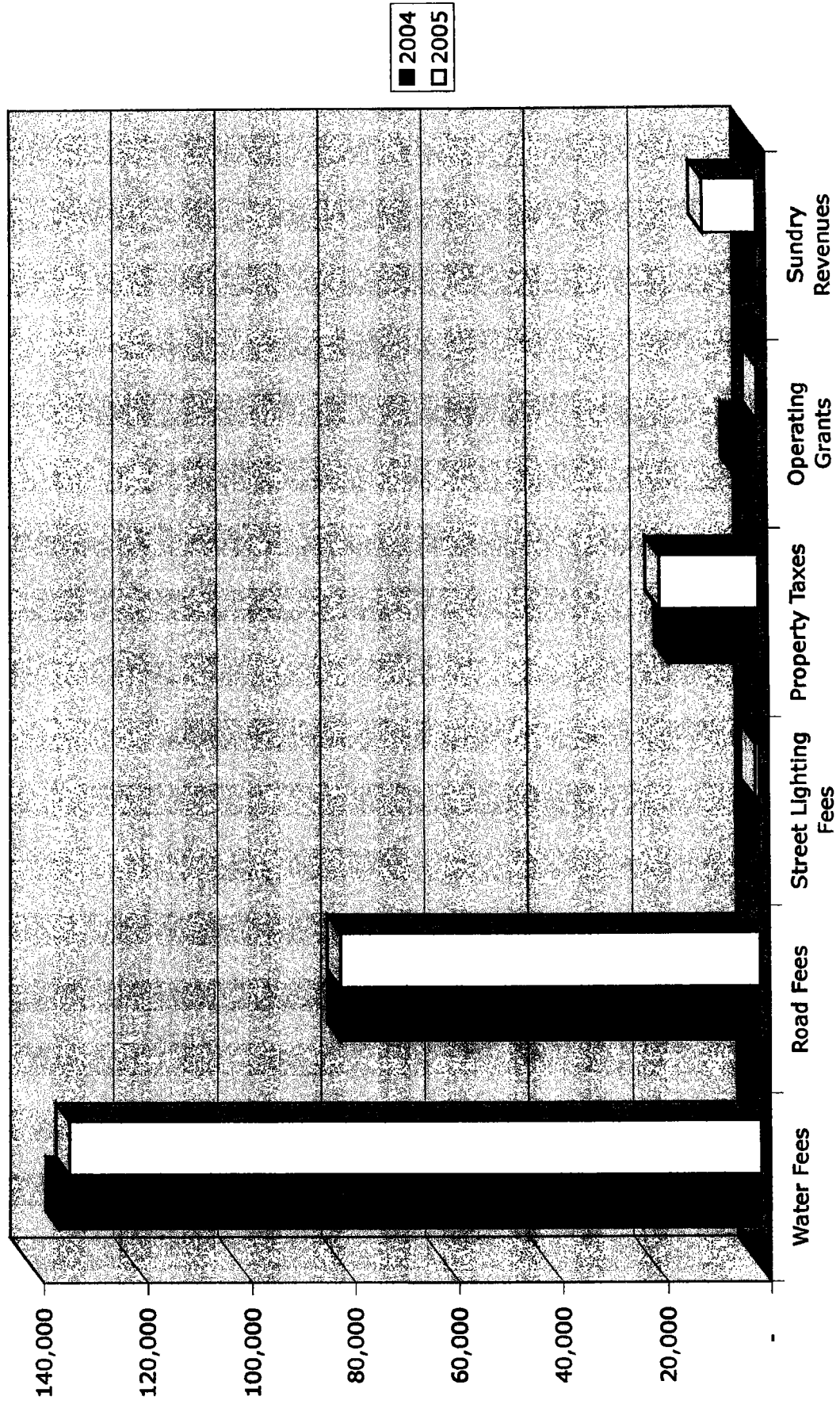
The following are condensed financial statements of the District:

	<b>2004</b>	<b>2005</b>
Current Assets	466,071	504,821
Capital Assets	2,026,532	1,967,189
Other Assets	1,126,963	1,115,009
Total Assets	<u>3,619,566</u>	<u>3,587,019</u>
Current Liabilities	227,173	133,893
Other Liabilities		
Long-Term Liabilities	1,150,000	1,155,000
Total Liabilities	<u>1,377,173</u>	<u>1,288,893</u>
Net Assets:		
Invested in Capital Assets-Net of Debt	806,063	685,730
Restricted	67,493	255,094
Unrestricted	1,368,837	1,357,302
Total Net Assets	<u>2,242,393</u>	<u>2,298,126</u>
Revenues:		
Charges for Services	216,844	214,757
Taxes	17,443	19,151
Operating Grants	4,438	-
Sundry	1,437	10,437
Investment Earnings	71,677	65,966
Total Revenues	<u>311,839</u>	<u>310,311</u>
Expenses:		
Operating Expenses	168,280	139,176
Depreciation	60,983	61,744
Investment Expense	58,313	53,658
Total Expenses	<u>287,576</u>	<u>254,578</u>
Change in Net Assets	24,263	55,733
Net Assets - Beginning of year	2,218,130	2,242,393
Prior Period Adj - Special Assessments	-	-
Net Assets - End of Year	<u>2,242,393</u>	<u>2,298,126</u>

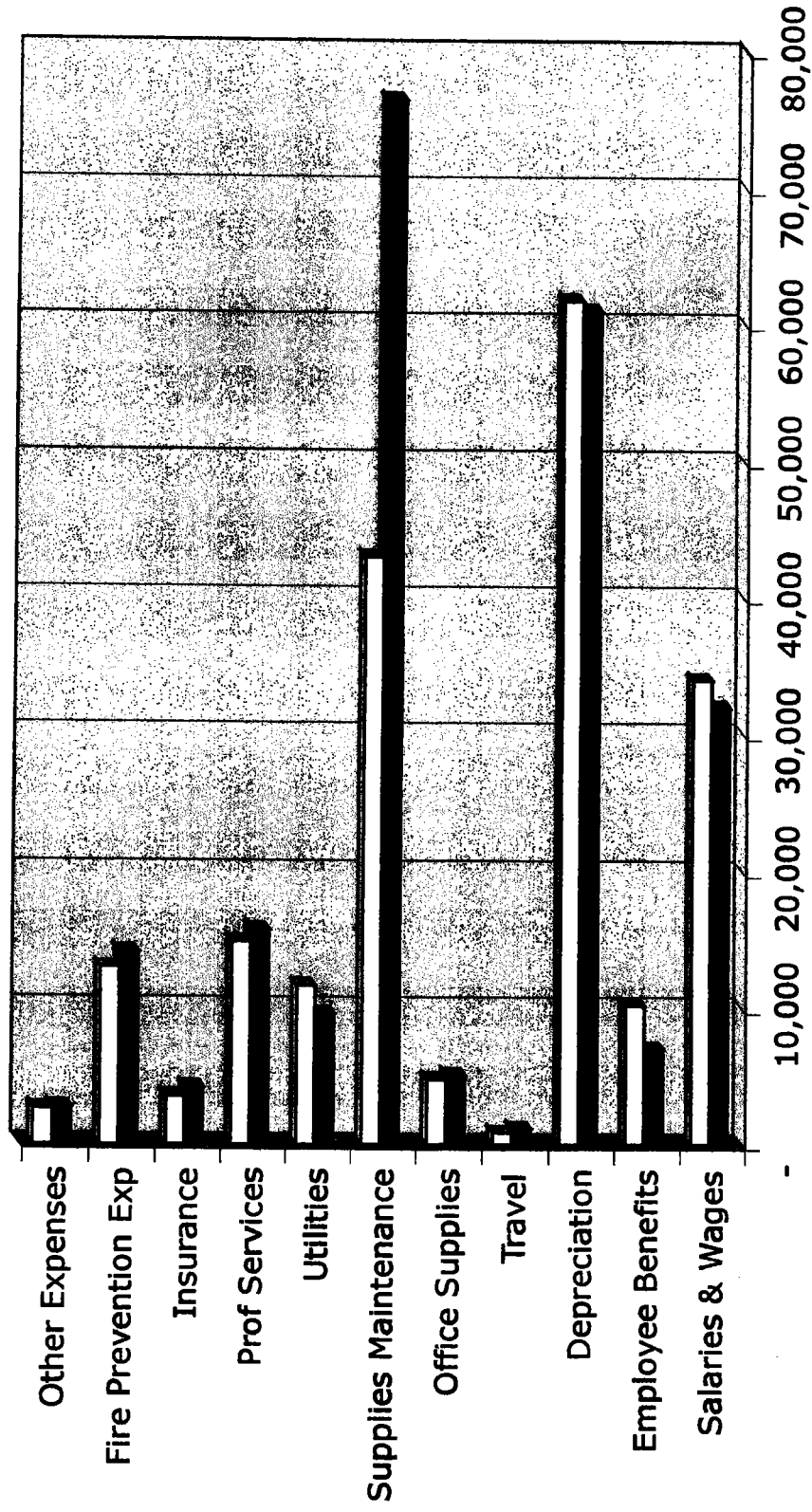
#### **CONTACTING THE DISTRICT'S TREASURER**

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, contact C. David White, P.O. Box 1663, Beaver, UT 84713.

# Operating Revenues - 2004 and 2005



# Operating Expenses - 2004 and 2005



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is used to assist in formatting, for easier reading)



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# **BASIC FINANCIAL STATEMENTS**

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**ELK MEADOWS SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF BEAVER COUNTY)  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND TYPE**

December 31, 2005

	<u>Enterprise Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	51,937
Accounts Receivable	170,552
Grants, Taxes and Fees Receivable	1,821
Special Assessments Receivable	198,617
Interest Receivable	81,894
Total Current Assets	<u>504,821</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	255,093
Special Assessments - Noncurrent	859,916
Capital Assets (Net):	
Land	46,187
Improvements	1,832,383
Equipment	88,619
Total Noncurrent Assets	<u>3,082,198</u>
TOTAL ASSETS	<u><u>3,587,019</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	7,435
Interest Payable	31,458
Bonds Payable	95,000
Total Current Liabilities	<u>133,893</u>
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	955,000
Loan Payable	200,000
Total Noncurrent Liabilities	<u>1,155,000</u>
TOTAL LIABILITIES	<u><u>1,288,893</u></u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	685,730
Restricted for Bonds	192,354
Restricted for Fire Protection	62,740
Unrestricted	1,357,302
TOTAL NET ASSETS	<u><u>2,298,126</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3,587,019</u></u>

See accompanying notes and accountant's report.

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF BEAVER COUNTY)  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND TYPE**

**For The Year Ended December 31, 2005**

	Enterprise Fund
<b>OPERATING REVENUES</b>	
Water Fees	133,125
Road Fees	80,840
Street Lighting Fees	792
Property Taxes	19,123
Fee-In-Lieu	28
Sundry Revenue	<u>10,437</u>
<b>TOTAL REVENUES</b>	<u>244,345</u>
<b>OPERATING EXPENSES</b>	
Salaries and Wages	34,000
Employee Benefits	10,227
Depreciation	61,744
Travel	911
Office Expenses and Supplies	4,784
Supplies and Maintenance	43,001
Utilities	11,702
Professional Services	14,906
Insurance	3,535
Fire Prevention Expense	13,013
Other Expenses	<u>2,597</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>200,420</u>
<b>NET OPERATING GAIN (LOSS)</b>	<u>43,925</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Interest Income	65,966
Bond Expense	(500)
Interest Expense	<u>(53,658)</u>
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>11,808</u>
<b>CHANGES IN NET ASSETS</b>	55,733
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>	<u>2,242,393</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u><u>2,298,126</u></u>

See accompanying notes and accountant's report.

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF BEAVER COUNTY)  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

**December 31, 2005**

	<u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received From Customers	118,628
Cash Paid To Suppliers	(103,457)
Cash Paid To Employees	(34,000)
Cash Received From Tax Revenue	<u>22,269</u>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>3,440</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Property and Equipment	(2,401)
Payments Received on Special Assessment Debt	199,554
Payment on Long-Term Debt Principal	(90,000)
Payment on Long-Term Debt Interest	<u>(53,658)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>53,495</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Revenue	<u>65,966</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>65,966</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,901
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>184,128</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>307,029</u></u>
<b>RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Gain (Loss)	<u>36,600</u>
Adjustments to Reconcile Net Operating Gain (Loss) to Net Cash Provided (Used) By Operating Activities:	
Depreciation	68,568
Increase (Decrease) In Operating Assets:	
Accounts Receivable	(66,859)
Taxes and Fees Receivable	3,118
Special Assessments Receivable	27,475
Interest Receivable	(67,183)
Accounts Payable	2,332
Interest Payable	<u>(611)</u>
Total Adjustments	<u>(33,160)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>3,440</u></u>

See accompanying notes and accountant's report.

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Elk Meadows Special Service District (District), a component unit of Beaver County, have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and is a component unit of Beaver County.

**A. Reporting Entity:**

The District was originally organized in May 1995 as Beaver County Special Service District #6 with three board members. On June 2, 1997, Resolution No. 97-07 was adopted by Beaver County to change the name of the District to Elk Meadows Special Service District. The Resolution No. 97-07 authorized a board of five members. The commissioners subsequently appointed an additional two members to the board to increase total members to five. The District has no component units.

The services authorized to be provided by the District within its boundaries are water, sewage, drainage, flood control, transportation, recreation, street lighting, snow removal and fire protection. The services authorized to be provided by the District shall only be provided if certain conditions are met.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. The District's only fund is an Enterprise Fund.

**Fund Financial Statements:**

Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities and Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Any investments will be stated at cost.

**Capital Assets:**

Capital assets used in the government are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Improvements	50 Years
Equipment	3-10 Years

**D. Net Assets**

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of net assets is restricted for a bond reserve as required by the bond documents.

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets and Budgetary Accounting:**

The District adopts an annual budget. The budget is prepared on the accrual basis. The District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. Budgetary information has not been amended during the year. Budget appropriations lapse at year-end.

The following is a description of the budgetary requirements for the District:

1. On or before the first regularly scheduled meeting of the Board in the month of November, the Board prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the Board makes final adjustments to the tentative budget.
4. On or before December 15, the Board adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The total budget appropriation of any fund may be increased only after a public hearing has been held and followed by resolution of the Board.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**F. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The District maintains a cash and investment pool that is available for use by all funds. Each fund types portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits:**

At December 31, 2005, the carrying amount of the District's deposits was \$35,511 and the bank balance was \$35,911. Of the bank balance, \$35,911 was covered by federal depository insurance.

Cash and investments as of December 31, 2005, consist of the following:

	<u>Fair Value</u>
Demand Deposits	35,511
Investments - PTIF	<u>271,519</u>
Total Cash and Investments	<u><u>307,030</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	51,937
Governmental Activities - Restricted	<u>255,093</u>
Total Cash and Investments	<u><u>307,030</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.



**ELK MEADOWS SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

**Custodial Credit Risk:**

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Credit Risk:**

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

For the year ended December 31, 2005, the local government has investments of \$271,518 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Concentration of Credit Risk:**

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**NOTE 3 - BOND RESERVES**

The Special Assessments Bond, Series 2001, requires a debt service reserve fund related to this bond issue to be set aside in a reserve account in the amount of \$36,492. This amount has been set aside or reserved on the books of Elk Meadows Special Service District as required.

**NOTE 4 - ACCOUNTS RECEIVABLE**

The accounts receivable is from assessment billings to property owners in the District. Property owners are assessed for road maintenance and street lighting based on property owned.

**NOTE 5 - SPECIAL ASSESSMENTS RECEIVABLE**

Special assessment bonds were issued in 1998 and 2001 to pay for improvements in the District. Property owners in the District were assessed for these improvements according to property size. The property owners could elect to pay in total the first year or annually over a 15 or 10 year term respectively. The interest charged to property owners is based on the rate charged on the Special Assessment Bonds payable. The balance of the special assessment receivables at year end was \$1,058,533; current \$198,617, noncurrent \$859,916 and interest \$81,894.

**ELK MEADOWS SPECIAL SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	46,187	-	-	46,187
 Total Capital Assets Not Being Depreciated	 46,187	 -	 -	 46,187
Capital Assets Being Depreciated:				
Improvements	2,141,964	-	-	2,141,964
Equipment	181,687	2,401	7,800	176,288
 Total Capital Assets Being Depreciated	 2,323,651	 2,401	 7,800	 2,318,252
Less Accumulated Depreciation For:				
Improvements	266,375	43,206	-	309,581
Equipment	76,931	18,538	7,800	87,669
 Total Accumulated Depreciation	 343,306	 61,744	 7,800	 397,250
 Total Capital Assets Being Depreciated (Net)	 1,980,345	 (59,343)	 -	 1,921,002
 Business Type Activities Capital Assets, Net	 <u>2,026,532</u>	 <u>(59,343)</u>	 <u>-</u>	 <u>1,967,189</u>

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

**NOTE 7 - SPECIAL IMPROVEMENT DISTRICT**

The Special Improvement District (SID) was formed to provide road improvements, a highway underpass for nonmotorized travel for skiing and hiking, and water system improvements. All of the lots in Elk Meadow Estates and a ten acre parcel of land owned by the State Trust lands and four land parcels owned by Elk Meadows L.L.C. are included in the SID. The assessments are based on benefits derived by the respective property owners. Assessments can be paid in full or over a maximum period of ten or fifteen years with an interest rate based on the permanent financing obtained for the improvements.

**NOTE 8 - LONG-TERM DEBT**

**Special Assessment Bonds, Series 1998:**

On August 5, 1998, the Special Assessment Bonds, Series 1998, were issued. The Special Assessment Bonds were issued in the amount of \$1,163,182. The balance at December 31, 2005, was \$736,000.

Maturity of Special Assessment Bonds are as follows:

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9/1/2006	5.45%	76,000	40,112	116,112
9/1/2007	5.45%	80,000	35,970	115,970
9/1/2008	5.45%	84,000	31,610	115,610
9/1/2009	5.45%	89,000	27,032	116,032
9/1/2010	5.45%	94,000	22,182	116,182
9/1/2011	5.45%	99,000	17,059	116,059
9/1/2012	5.45%	104,000	11,663	115,663
9/1/2013	5.45%	110,000	5,995	115,995
	<b>Totals</b>	<u>736,000</u>	<u>191,622</u>	<u>927,622</u>

**Special Assessment Bonds, Series 2001:**

On December 12, 2001, Special Assessment Bonds were issued for the purpose of paying the costs of construction of improvements including improvements of streets, underpass, culinary water system improvements and tree and nonconforming objects removal and related improvements.

The total amount of the bonds issued was \$364,462.06. Payments are due January 15 beginning January 15, 2003. The interest rate varies from 3.75% to 5.85%.

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

The following is a schedule of maturity of principal and interest on the bonds:

	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	5.20%	19,000	17,283	36,283
2007	5.40%	20,000	16,295	36,295
2008	5.50%	21,000	15,215	36,215
2009	5.65%	22,000	14,060	36,060
2010	5.70%	24,000	12,817	36,817
2011	5.80%	25,000	11,449	36,449
2012	5.85%	26,000	9,999	35,999
2013	5.40%	28,000	8,478	36,478
2014	5.40%	30,000	6,966	36,966
2015	5.40%	31,000	5,346	36,346
2016	5.40%	33,000	3,672	36,672
2017	5.40%	35,000	1,890	36,890
Totals		<u>314,000</u>	<u>123,470</u>	<u>437,470</u>

**Loan Payable - Beaver County:**

In the years 2003 and 2004 Beaver County advanced the District \$100,000 each year to help in meeting its debt obligation on the Special Assessment Bonds, Series 1998 due to non-payment of special assessment debt by Meadows Operations, Inc. during 2003 and 2004. The property owned by Meadows Operations, Inc. upon which a lien is attached by the 1997 and 1998 Special Improvement District, is presently owned by Nimbus Loan Funds who had the property removed from the Meadows Operations, Inc. bankruptcy and then foreclosed on the property and purchased the property at the foreclosure sale. The 1997 and the 1998 Special Improvement District lien remains attached to the property. The total due Beaver County at December 31, 2005, is \$200,000.

The following is a summary of total debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	95,000	57,395	152,395
2007	100,000	52,265	152,265
2008	105,000	46,825	151,825
2009	111,000	41,092	152,092
2010	118,000	34,999	152,999
2011-2015	653,000	76,955	729,955
2016-2020	68,000	5,562	73,562
Total	<u>1,250,000</u>	<u>315,093</u>	<u>1,565,093</u>

**ELK MEADOWS SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

The following is a statement of changes in Long-Term Debt:

	Balance December 31, 2004	Additions	Retirements	Balance December 31, 2005
Special Assessment Bonds - 1998	808,000	-	72,000	736,000
Special Assessment Bonds - 2001	332,000	-	18,000	314,000
Loan - Beaver County	200,000	-	-	200,000
	<u>1,340,000</u>	<u>-</u>	<u>90,000</u>	<u>1,250,000</u>

**NOTE 9 - RISK MANAGEMENT**

<u>Coverage Area</u>	<u>Company</u>	<u>Limit</u>
General Liability	Utah Local Government Trust	2,000,000
Automobile	Utah Local Government Trust	2,000,000
Property	Utah Local Government Trust	72,000
Workers Compensation	Utah Local Government Trust	100,000
Fidelity Bond Coverage	Old Republic Surety	112000

Insurance premiums are expensed as incurred rather than over the life of the policy. Claims have not exceeded coverage during the calendar year.

**NOTE 10 - ECONOMIC DEPENDENCE**

Elk Meadows Special Service District is economically dependent on Nimbus Loan Funds for 23 - 25% of special assessments and property taxes.

The District is also economically dependent upon Beaver County for payment of debt service on the Special Assessment Bonds, Series 1998.